GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

APIIC Limited – Permission accorded to APIIC Limited for execution of Sale Deed in favour of M/s.Hero Moto Corp Ltd., with certain Amendments to certain clauses of Sale Deed – Orders - Issued.

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INDUSTRIES AND COMMERCE (INFRA) DEPARTMENT

G.O.MS.No. 41 Dated: 09-03-2017
Read the following:

1. G.O.Ms.No.47, Ind & Com (Infra) Dept., dt.11.04.2016.
2. G.O.Ms.No.93, Ind & Com (Infra) Dept., dt.24.06.2016.
3. From the VC&MD, APIIC, Hyderabad, Lr.No.619/APIIC/Projects/Hero Motors/ /Satyavedu/2014, dt.04.11.2016.
4. G.O.Ms.No.180, Ind & Com (Infra) Dept, dt.17.12.2016.
5. From the VC&MD, APIIC Ltd., Vijayawada Single File No.619/APIIC/Projects/Hero/Satyavedu/2014, dt.04.03.2017.

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ORDER:

In the reference 1st read above, orders were issued approving the following incentives /benefits to M/s.Hero Moto Corp Ltd:

(a) APIIC to execute sale deed on receipt of sale consideration, in favour of M/s.Hero Moto Corp Limited (HMCL) for 600 Acres in Madannapalem (V), Satyavedu (M) of Chittoor district. APIIC shall monitor the utilization of land and report the progress of project implementation from time to time to Government.

(b) APIIC to allot 200 Acres of land at Rs.10.00 Lakhs per Acre for HMCL's supply chain partners / ancillaries within a radius of 25- 35 KMs from main project site.

(c) Dispute resolution mechanism between APIIC and HMCL shall be, as already provided in the MoU and within the State of A.P.

(d) APIIC to permit diversification of HMCL's manufacturing activity to include products like three wheelers, Electrical vehicles, Aerospace & Defence and Technology relating to Green-tech by HMCL/their joint ventures /their business associates.

2. In the reference 2nd read above, orders were issued according permission to APIIC Limited to execute the revised sale deed in favour of M/s. HMCL.

3. In the reference 4th read above, orders were issued permitting the APIIC for inclusion of the following indemnity and compensation clause in the Sale Deed of M/s.Hero Moto Corp Ltd., for "unrealizable value of other physical assets in which HMCL has invested in the scheduled property:"

> "The APIIC covenants with HMCL that if for any defect in the title of APIIC, HMCL is deprived of the land, on account of judicial pronouncements, which impacts the operations, APIIC undertakes to indemnify/ compensate HMCL for all losses on account of land, building and unrealizable value of other physical assets in which HMCL has invested in the scheduled property. APIIC shall compensate HMCL on mutually agreed upon value within 6 months of pronouncement of such judgment."

4. In the reference 5th read above, the Vice Chairman & Managing Director, A.P. Industrial Infrastructure Corporation Ltd., Vijayawada has informed that M/s.HMCL has requested to certain Amendments to Clause-E & F and Clause-3 & 4 of the Sale Deed and therefore requested the Government to examine the request of the Company and to issue necessary orders for finalising and executing the sale deed stating that the Company would proceed for execution of sale deed in the Second week of March, 2017 once the suggested amendments are confirmed and accepted. The Amendments requested by M/s.HMCL and the explanations offered by the APIIC to the Amendments are as follows:

(P.T.O.)

Sl. No	Clause as per draft sale deed	Amendments proposed by M/s.HMCL	Remarks of APIIC.
1	2	3	4
1.	**Clause (E):** Whereas pursuant to the above, HMCL have been allotted undeveloped land free from all encumbrances of any nature whatsoever measuring to an extent of Acs.600.00 (Six Hundred Acres) situated at Madanapalem Village, Satyavedu Mandal, Chittoor District, Andhra Pradesh. This land is divided into two parts by a public (Village) road, with one part of the land being on the northern side, with an area of _____acres and other part of the land on the southern side of the road, with an area of _____and this allotted land of 600 acres is more particularly described in the schedule hereunder and for greater clearness delineated in the plan here to annexed, hereinafter referred to as the Schedule Land for setting up of a unit for manufacture of "TWO WHEELERS AND PARTS THERE OF" on as is where is basis on the terms and conditions specified in the allotment letter dated.15.04.2016. HMCL is also permitted to use this project land for diversification of its manufacturing activity to products like Three Wheelers, Electrical Vehicles, Aerospace, Defense, technology related, Greentech, etc. by HMCL/their Joint Ventures/ their business associates.	**Clause (E):** Whereas pursuant to the above, HMCL have been allotted undeveloped land free from all encumbrances of any nature whatsoever measuring to an extent of Acs.600.00 (Six Hundred Acres) situated at Madanapalem Village, Satyavedu Mandal, Chittoor District, Andhra Pradesh. This land is divided into two parts by a public (Village) road, with one part of the land being on the northern side, with an area of _____acres and other part of the land on the southern side of the road, with an area of _____and this allotted land of 600 acres is more particularly described in the schedule hereunder and for greater clearness delineated in the plan here to annexed, hereinafter referred to as the Schedule Land for setting up of a unit for manufacture of "TWO WHEELERS AND PARTS THERE OF" on as is where is basis on the terms and conditions specified in the allotment letter dated.15.04.2016. HMCL is also permitted to use this project land for diversification of its manufacturing activity to products like <u>Mobility Solutions</u>, Electrical Vehicles, Aerospace, Defense, technology related, Greentech, etc. by HMCL/their Joint Ventures/ their business associates.	APIIC through Lr.No.619/APIIC/Projects/Hero/Satyavedu/2014 dt.31.03.2016 apprised the Government that in MoU with HMCL, the line of activity was mentioned as a two wheeler manufacturing facility and sought orders on the representation of HMCL, to diversify the manufacturing activity to include products like three wheelers, Electrical vehicles, Aerospace & Defence and Technology relating to Green-tech. Through G.O.Ms.No.47 dt.10.04.2016, Government authorised APIIC to permit diversification of HMCL's manufacturing activity to include products like three wheelers, Electrical vehicles, Aerospace & Defence and Technology relating to Green-tech by HMCL/their joint ventures /their business associates. Accordingly the draft sale deed was prepared in line with the G.O.MS.No.47 dt.10.04.2016 & G.O.Ms.No.180, dt.17.12.2016 and the same was communicated to HMCL. HMCL has now proposed to replace the word "three wheelers" by "mobility solutions. However on telephonic conversation, they have informed to modify as "three wheelers and mobility solutions" instead of replacing the word three wheelers and a written confirmation was requested from them and the same is awaited.
2.	**Clause (F):** AND WHEREAS the vacant physical possession of the land was delivered to the HMCL on _____ to enable the HMCL to implement the project as mentioned in the letter of allotment dt.15.04.2016.	**Clause (F):** AND WHEREAS the vacant physical possession of the land shall be delivered to the HMCL <u>on or before 31st March 2017 under a possession certificate</u> to enable the HMCL to implement the project as mentioned in the letter of allotment dt.15.04.2016.	As the possession of the land has not been handed over to HMCL and it is to be given after the execution of sale deed, HMCL is requesting to capture the same in the sale deed document by incorporating the suggested amendment.

3.	**Clause (3):** HMCL, as committed, shall be responsible for the investment of a minimum of 1600 Crores in its mother plant with the following timelines and investments. i. Commencement of Production in Phase 1 (Investment of a minimum of Rs.800 Crores and production Capacity of 0.5 million units per annum): by December 2018. ii. Capacity addition in Phase 2 (Investment of a minimum of Rs.400 Crores and enhancing production capacity to additional 0.5 million units per annum): by December 2020. iii. Capacity addition in Phase 3 (Investment of a minimum of Rs.400 Crores and enhancing production capacity to additional 0.8 million units per annum): by December 2023.	**Clause (3):** HMCL, as committed, shall be responsible for the investment of a minimum of 1600 Crores in its mother plant with the following timelines and investments. i. Commencement of Production in Phase 1 (Investment of a minimum of Rs.800 Crores and production Capacity of 0.5 million units per annum): by December 2019. ii. Capacity addition in Phase 2 (Investment of a minimum of Rs.400 Crores and enhancing production capacity to additional 0.5 million units per annum): by December 2021. iii. Capacity addition in Phase 3 (Investment of a minimum of Rs.400 Crores and enhancing production capacity to additional 0.8 million units per annum): by December 2024.	The implementation timelines mentioned in Clause (3) of the draft sale deed were incorporated in view of the G.O.MS.No.47 dt. 10.04.2016. The implementation timelines outlined in the said G.O., may be on the presumption that the sale deed will be executed immediately thereafter. However, the matter of finalization of sale deed draft took some time due to HMRL's request for incorporation of the indemnity clause in the sale deed which was approved vide G.O.Ms.No.180 dt.17.12.2016. In light of the above, HMCL has proposed to extended all the timelines by 1 (one) year as the handing over of the possession of the land is yet to be done.
4.	**Clause (4):** HMCL, as committed, shall be responsible for the investment of another sixteen Hundred Crores Indian Rupees (Rs.1600 Crores) by its supply chain partner/ancillaries within the following timelines. i. Commencement of Production in Phase 1 (Investment of a minimum of Rs.400 Crores) by December 2019. ii. Investment in Phase 2 (Investment of a minimum of Rs.600 Crores) by December 2021. iii. Investment in Phase 3 (Investment of a minimum of Rs.600 Crores) by December 2024.	**Clause (4):** HMCL, as committed, shall be responsible for the investment of another sixteen Hundred Crores Indian Rupees (Rs.1600 Crores) by its supply chain partner/ancillaries within the following timelines. i. Commencement of Production in Phase 1 (Investment of a minimum of Rs.400 Crores) by December 2020. ii. Investment in Phase 2 (Investment of a minimum of Rs.600 Crores) by December 2022. iii. Investment in Phase 3 (Investment of a minimum of Rs.600 Crores) by December 2025.	The implementation timelines mentioned in Clause (3) of the draft sale deed were incorporated in view of the G.O.MS.No.47, dt.10.04.2016. The implementation timelines outlined in the said G.O., may be on the presumption that the sale deed will be executed immediately thereafter. However, finalization of the draft of sale deed took some time due to HMRL's request for incorporation of the indemnity clause in the sale deed which was approved vide G.O.Ms.No.180, dt.17.12.2016. In light of the above, HMCL has proposed to extended all the timelines by 1 (one) year as the handing over of the possession of the land is yet to be done.

5. Government, after careful examination of the proposal of Vice Chairman & Managing Director, A.P. Industrial Infrastructure Corporation Ltd., hereby permit the Vice Chairman & Managing Director, A.P. Industrial Infrastructure Corporation Ltd., to finalise and execute the Sale Deed with following amendments:

For Clause-E: the word "three wheelers" be replaced as "three wheelers and mobility solutions."

For Clause-F: the vacant physical possession of the land shall be delivered to the HMCL on or before 31st March 2017 under a possession certificate to enable the HMCL to implement the project as mentioned in the letter of allotment dt.15.04.2016.

For Clause-3: to extend all the timelines by 1 (one) year for the following:-

(i) commencement of production in Phase-1 (Investment of a minimum of Rs.800 Crores and production capacity of 0.5 million units per annum) by December, 2019 instead of December, 2018.

(ii) capacity addition in Phase-2 (Investment of a minimum of Rs.400 Crores and enhancing production capacity to additional 0.5 million units per annum) by December, 2021 instead of December, 2020.

(iii) capacity addition in Phase-3 (Investment of a minimum of Rs.400 Crores and enhancing production capacity to additional 0.8 million units per annum) by December, 2024 instead of December, 2023.

For Clause-4: to extend all the timelines by 1 (one) year for the following:-

(i) commencement of production in Phase-1 (Investment of a minimum of Rs.400 Crores) by December, 2020 instead of December, 2019.

(ii) investment in Phase-2 (Investment of a minimum of Rs.600 Crores) by December, 2022 instead of December, 2021.

(iii) investment in Phase-3 (Investment of a minimum of Rs.600 Crores) by December, 2025 instead of December, 2024.

6. The Vice Chairman & Managing Director, A.P. Industrial Infrastructure Corporation Limited, Vijayawada shall take necessary action in the matter accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

S.SOLOMON AROKIARAJ
SECRETARY TO GOVERNMENT & CIP

To
The Vice Chairman & Managing Director, A.P. Industrial Infrastructure Corporation Ltd., H.No.12B, 59A-8-12B, Guru Nanak Colony Road, Teacher's Colony, Vijayawada-520008.
Copy to:
The Director of Industries, Government of A.P., Vijayawada.
The P.S. to Principal Secretary to C.M. (GSP).
The P.S.to Secretary to Government & CIP.
SF/SC.

//FORWARDED BY: ORDER//

SECTION OFFICER